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FOR**

TOWN OF KANSAS, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2016

OBER & LITTLEFIELD, CPA'S, PLLC

MIAMI, OKLAHOMA

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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
Town of Kansas and Kansas Public Works
Kansas, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kansas and Kansas Public Works, State Oklahoma as of and for the year ended June 30, 2016, which collectively comprise the Town of Kansas and Kansas Public Works' basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kansas and Kansas Public Works, State of Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, net pension liability, and budgetary comparison information on pages 3 through 13, 54 through 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kansas and Kansas Public Works, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting and compliance.



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

October 14, 2016

**TOWN OF KANSAS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

The discussion and analysis of the Town of Kansas's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the accompanying basic financial statements.

WHO WE ARE

As of June 30, 2016 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jack Stonecipher
Council Member	Sonya Ferguson Ardell Porter
Clerk/Treasurer	Guiann Moore

The governing board for the Kansas Public Works Authority is identical to the Town's.

FINANCIAL HIGHLIGHTS

- The total assets of the Town for its governmental and business-type activities exceeded its liabilities as of June 30, 2016 by \$2,501,037 as reflected in Statement 1. This excess, together with a comparison to the prior year, is summarized as follows:

	June 30, <u>2016</u>	June 30, <u>2015</u>
Invested in capital assets, net of related debt	\$1,997,870	\$1,866,904
Restricted for debt service	45,339	45,314
Restricted for specific purposes	122,224	134,584
Unrestricted	<u>335,604</u>	<u>274,514</u>
	<u>\$2,501,037</u>	<u>\$2,321,316</u>

GASB 68 reduced the unrestricted by \$33,468 and \$35,908 for June 30, 2016 and June 30, 2015 respectively.

- The reserved net position of governmental activities consist of the following:

	June 30, <u>2016</u>	June 30, <u>2015</u>
Fire Department	\$ 61,228	\$ 77,035
Street Department	20,965	16,244
Cemetery Operations	20,784	23,155
Police Department	<u>19,247</u>	<u>18,150</u>
	<u>\$ 122,224</u>	<u>\$ 134,584</u>

- The Town's (including the PWA) net position increased \$179,721 during the year. The breakdown of the increase was as follows:

Invested in capital assets, net of related debt	\$ 130,966
Restricted	(12,335)
Unrestricted	<u>61,090</u>
	<u>\$ 179,721</u>

The unrestricted net position increased \$61,090. The Town decreased \$4,667 while the PWA increased \$65,757. The decrease in the Town is due mainly to an increase in operating expenses. General government expenses increased \$17,562 and public safety increased \$12,615. These increases were partially offset by a small increase in revenues.

The increase for the PWA is mainly due to an increase in revenues of \$14,878 and a decrease in operating expenses of \$37,592.

- The increase in invested in capital assets, net of related debt for the year is summarized below, including the reasons therefore.

	Town of <u>Kansas</u>	Kansas <u>PWA</u>
Assets acquired	\$ 34,260	\$ 181,808
Depreciation	(54,809)	(93,780)
(Increase) decrease in long-term debt	28,452	36,024
Assets deleted	<u>--</u>	<u>(989)</u>
	<u>\$ 7,903</u>	<u>\$ 123,063</u>

(Unaudited)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the Town's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town government and the Town's component units	The activities of the Town that are not proprietary, such as police, fire, library, streets, etc.	Activities of the Kansas Public Works Authority consisting of water, sewer and trash services
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to statements of a private-sector business.

The *statement of net position* presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety activities, streets, cemetery, library and parks activities and general government activities. The business-type activities of the Town include certain utilities.

Two component units are included in the basic financial statements and consist of the Kansas Public Works Authority, a legally separate entity for which the Town is financially accountable and that has the same governing board as the Town, and the County Wide Fire Department Fund, in which the Town's fire department is allocated sales tax monies. These are blended into the financial statements of the Town.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town, excluding the Kansas Public Works Authority, are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 8 individual governmental funds for financial reporting purposes in addition to the Countywide Fire Department Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and the Countywide Fire Department Fund and Fire Cash Fund, which are considered to be major funds. Data for the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide information for the Kansas Public Works Authority. The proprietary fund financial statements can be found at Statements 5, 6, and 7 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 26 of this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town and its component unit, assets exceeded liabilities by \$2,501,037 at the close of the current fiscal year.

As shown on Table 1, the largest portion of the Town's net position, \$1,997,870 (including the PWA), reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town and its component unit uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities. Summaries of the two components of invested in capital assets is provided in Notes 3.D and 3.G in the notes to the financial statements.

At the end of the fiscal year ended June 30, 2016, the Town reported positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

The following represents a summary of the Net Position for Governmental and Business-type Activities as of June 30, 2016 and 2015 and changes in net position for each of those years:

TABLE 1
SUMMARY OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 271,474	\$ 297,393	\$ 245,887	\$ 200,503	\$ 517,361	\$ 497,896
Capital assets	599,549	620,098	1,734,377	1,647,338	2,333,926	2,267,436
Restricted assets	--	--	76,989	75,929	76,989	75,929
Inventory	--	--	22,312	22,312	22,312	22,312
Pension asset	<u>40,990</u>	<u>--</u>	<u>2,488</u>	<u>--</u>	<u>43,478</u>	<u>--</u>
Total assets	<u>912,013</u>	<u>917,491</u>	<u>2,082,053</u>	<u>1,946,082</u>	<u>2,994,066</u>	<u>2,863,573</u>
Current and other						
Liabilities	16,742	54,888	47,790	62,544	64,532	117,432
Long-term liabilities	22,657	22,593	329,894	366,324	352,551	388,917
Pension liability	<u>64,752</u>	<u>23,024</u>	<u>11,194</u>	<u>12,884</u>	<u>75,946</u>	<u>35,908</u>
Total liabilities	<u>104,151</u>	<u>100,505</u>	<u>388,878</u>	<u>441,752</u>	<u>493,029</u>	<u>542,257</u>
Net position						
Invested in capital assets, net of related debt	576,892	568,989	1,420,978	1,297,915	1,997,870	1,866,904
Restricted for debt service	--	--	45,339	45,314	45,339	45,314
Other restricted	122,224	134,584	--	--	122,224	134,584
Unrestricted	<u>108,746</u>	<u>113,413</u>	<u>226,858</u>	<u>161,101</u>	<u>335,604</u>	<u>274,514</u>
Total net position	<u>\$ 807,862</u>	<u>\$ 816,986</u>	<u>\$1,693,175</u>	<u>\$1,504,330</u>	<u>\$2,501,037</u>	<u>\$2,321,316</u>

(Unaudited)

**TABLE 2
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 50,763	\$ 45,236	\$ 252,701	\$ 237,823	\$ 303,464	\$ 283,059
Operating grants and contributions	21,200	16,684	--	--	21,200	16,684
Capital grants and Contributions	--	18,154	165,877	25,951	165,877	44,105
General revenues						
Sales tax	225,299	213,695	79,496	74,444	304,795	288,139
Other taxes	57,935	55,592	--	--	57,935	55,592
Other general revenues	<u>5,550</u>	<u>741</u>	<u>114</u>	<u>107</u>	<u>5,664</u>	<u>848</u>
Total revenues	<u>360,747</u>	<u>350,102</u>	<u>498,188</u>	<u>338,325</u>	<u>858,935</u>	<u>688,427</u>
Expenses						
Administrative and Accounting	110,530	93,981	--	--	110,530	93,981
Public safety	234,879	222,251	--	--	234,879	222,251
Street	6,204	11,061	--	--	6,204	11,061
Cultural, recreation and library	18,258	20,647	--	--	18,258	20,647
Utilities	--	--	<u>309,343</u>	<u>349,642</u>	<u>309,343</u>	<u>349,642</u>
Total expenses	<u>369,871</u>	<u>347,940</u>	<u>309,343</u>	<u>349,642</u>	<u>679,214</u>	<u>697,582</u>
Increase (decrease) in net position	<u>\$(9,124)</u>	<u>\$ 2,162</u>	<u>\$ 188,845</u>	<u>\$(11,317)</u>	<u>\$ 179,721</u>	<u>\$(9,155)</u>

Governmental Activities. Governmental activities decreased the Town's fund balances by \$16,289 for the current fiscal year compared to an increase of \$11,427 in the prior year per Statement 4 of the Financial Statements.

Following is the increase (decrease) in fund balances of all governmental funds:

	<u>FYE 6/30/16</u>	<u>FYE 6/30/15</u>
General Fund	\$(3,929)	\$(13,330)
Countywide Fire Department Fund	(5,179)	14,055
Street & Alley Fund	4,721	(1,208)
Cemetery Fund	(2,371)	(2,643)
Fire Cash Fund	(10,628)	3,990
Police Donation Fund	<u>1,097</u>	<u>10,563</u>
	<u>\$(16,289)</u>	<u>\$ 11,427</u>

(Unaudited)

Business-type Activities. Business-type activities, i.e. the Kansas Public Works Authority, had an increase in net position of \$188,845. Unrestricted went up \$73,654 and invested in capital assets, net of depreciation increased by \$105,169. This increase was due mainly to capital outlay grants of \$165,877.

FINANCIAL ANALYSIS OF THE TOWN'S MAJOR FUNDS

As noted earlier, the Town uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$132,508, constituting 100% of the fund balance, which was \$3,929 less than the prior year's General Fund balance. The main reason for this decrease has previously been discussed.

Countywide Fire Department Fund

This fund pays for most of the operating expenses of the Fire Department in addition to acquiring assets and making note payments.

Kansas Public Works Authority

The Authority's net profit was \$188,845 in the current year compared to a \$9,975 loss in the prior year. This turnaround was due to operating revenues increasing \$14,878, operating expenses decreasing \$37,592 and grant income increasing \$139,926.

See the *FINANCIAL HIGHLIGHTS* for comments relating to net position.

GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

(Unaudited)

TABLE 3
SUMMARY ANALYSIS OF GENERAL FUND BUDGET
FISCAL YEAR ENDING JUNE 30, 2016

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budget Basis)</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenue				
Sales tax	\$ 134,109	\$ 134,109	\$ 157,854	\$ 23,745
All other taxes	41,857	41,857	50,131	8,274
All other revenues	<u>57,546</u>	<u>57,546</u>	<u>53,192</u>	<u>(4,354)</u>
Total revenues	<u>233,512</u>	<u>233,512</u>	<u>261,177</u>	<u>27,665</u>
Expenditures				
Personal services	166,097	166,097	138,729	27,368
Maintenance and operation	145,000	145,000	121,522	23,478
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>17,664</u>	<u>17,336</u>
Total expenditures	<u>346,097</u>	<u>346,097</u>	<u>277,915</u>	<u>68,182</u>
Total excess (deficiency) of revenues over expenditures	(112,585)	(112,585)	(16,738)	95,847
Beginning fund balance	<u>112,585</u>	<u>112,585</u>	<u>112,585</u>	<u> --</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 95,847</u>	<u>\$ 95,847</u>

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the Town attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The fund balance for budget purposes decreased by \$16,738.

(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, including the PWA, as of June 30, 2016 amounted to \$2,334,326 compared to \$2,267,436 in the previous year. This investment, detailed in Table 4, in a broad range of capital assets includes land, structures and improvements and equipment. Infrastructure is reported on a prospective basis beginning July 1, 2003.

TABLE 4
CAPITAL ASSETS (NET OF DEPRECIATION)
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land and easements	\$ 165,712	\$ 7,500	\$ 173,212
Buildings	222,564	18,721	241,285
Machinery and equipment	161,290	36,947	198,237
Utility property	--	1,671,209	1,671,209
Infrastructure	<u>50,383</u>	<u>--</u>	<u>50,383</u>
Capital assets, net	<u>\$ 599,949</u>	<u>\$1,734,377</u>	<u>\$2,334,326</u>

Note 3.D. to the financial statements provides additional detail pertaining to Capital Assets.

Debt Administration

- All note requirements and payments were complied with.
- See Note 3.G. to the financial statements for additional detail.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The Town's revenues increased \$10,645 from the prior year in spite of a decrease in grants and contributions. Most encouraging was an \$11,604 increase in sales tax. A 1/2 cent sales tax increase effective October 1, 2016 will benefit the general fund in the next year.

The outlook for the Kansas PWA looks good. Its revenues are up and expenses are down, plus it also gets a 1/2 cent sales tax increase in October, 2016.

(Unaudited)

Additionally, the Authority, like any other utility, will ultimately have to replace its utility systems and other assets. The Authority is not funding its depreciation to provide future replacement funds.

The Board is fully aware that the issue of replacing the current water and sewer systems and equipment needs to be addressed at some point in the future.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions or need additional financial information, please contact the Town of Kansas at (918) 868-2198.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2016**

Statement 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 173,115	\$ 206,608	\$ 379,723
Deposit with county	48,176	--	48,176
Taxes receivable	46,217	13,571	59,788
Accounts receivable (net)	3,966	24,831	28,797
Due from Town of Kansas	<u>--</u>	<u>877</u>	<u>877</u>
Total current assets	<u>271,474</u>	<u>245,887</u>	<u>517,361</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	73,652	73,652
Due from general operations	--	3,337	3,337
Capital assets (net)	599,549	1,734,377	2,333,926
Inventory	<u>--</u>	<u>22,312</u>	<u>22,312</u>
Total noncurrent assets	<u>599,549</u>	<u>1,833,678</u>	<u>2,433,227</u>
Total assets	<u>871,023</u>	<u>2,079,565</u>	<u>2,950,588</u>
Deferred outflows of resources			
Deferred outflows related to pensions	<u>40,990</u>	<u>2,488</u>	<u>43,478</u>
LIABILITIES			
Current liabilities			
Accounts payable	14,837	5,142	19,979
Accrued expenses	1,028	1,844	2,872
Current portion of long-term debt	22,657	37,467	60,124
Due to Kansas PWA	877	--	877
Due to restricted assets	<u>--</u>	<u>3,337</u>	<u>3,337</u>
Total current liabilities	<u>39,399</u>	<u>47,790</u>	<u>87,189</u>
Noncurrent liabilities:			
Customer deposits payable from restricted assets	--	31,650	31,650
Long-term debt	--	298,244	298,244
Net pension liability	<u>57,686</u>	<u>9,110</u>	<u>66,796</u>
Total noncurrent liabilities	<u>57,686</u>	<u>339,004</u>	<u>396,690</u>
Total liabilities	<u>97,085</u>	<u>386,794</u>	<u>483,879</u>
Deferred inflows of resources			
Deferred amounts related to pensions	<u>7,066</u>	<u>2,084</u>	<u>9,150</u>
NET POSITION			
Invested in capital assets, net of related debt	576,892	1,420,978	1,997,870
Restricted for specific purposes	122,224	--	122,224
Restricted for debt service	--	45,339	45,339
Unrestricted	<u>108,746</u>	<u>226,858</u>	<u>335,604</u>
Total net position	<u>\$ 807,862</u>	<u>\$1,693,175</u>	<u>\$2,501,037</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KANSAS, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
General government				
Administrative and Accounting	\$ 110,530	\$ --	\$ --	\$ --
Total general government	<u>110,530</u>	<u>--</u>	<u>--</u>	<u>(110,530)</u>
Public safety and judiciary				
Police and Court	158,503	49,713	11,417	--
Fire	<u>76,376</u>	<u>--</u>	<u>8,790</u>	<u>--</u>
Total public safety and Judiciary	<u>234,879</u>	<u>49,713</u>	<u>20,207</u>	<u>--</u>
Transportation				
Street	<u>6,204</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total transportation	<u>6,204</u>	<u>--</u>	<u>--</u>	<u>--</u>
Cultural, parks and recreation				
Library	11,682	--	--	--
Cemetery	5,416	1,050	993	--
Parks	<u>1,160</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cultural, parks and recreation	<u>18,258</u>	<u>1,050</u>	<u>993</u>	<u>--</u>
Total governmental activities	<u>369,871</u>	<u>50,763</u>	<u>21,200</u>	<u>--</u>
Business-type activities:				
Water	216,540	176,891	--	165,877
Sewer	<u>92,803</u>	<u>75,810</u>	<u>--</u>	<u>--</u>
Total business-type activities	<u>309,343</u>	<u>252,701</u>	<u>--</u>	<u>165,877</u>
Total	<u>\$ 679,214</u>	<u>\$ 303,464</u>	<u>\$ 21,200</u>	<u>\$ 165,877</u>
				<u>\$(188,673)</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	\$(297,908)	\$ 109,235	\$(188,673)
General Revenues			
Taxes:			
Sales tax	225,299	79,496	304,795
Use tax	18,840	--	18,840
Alcohol beverage tax	9,401	--	9,401
Gasoline tax	1,476	--	1,476
Motor vehicle tax	5,653	--	5,653
Franchise taxes	19,761	--	19,761
Cigarette tax	2,804	--	2,804
Investment income	136	114	250
Miscellaneous	<u>5,414</u>	<u>--</u>	<u>5,414</u>
Total general revenues	<u>288,784</u>	<u>79,610</u>	<u>368,394</u>
Change in net position	(9,124)	188,845	179,721
Net position - beginning	<u>816,986</u>	<u>1,504,330</u>	<u>2,321,316</u>
Net position - ending	<u>\$ 807,862</u>	<u>\$ 1,693,175</u>	<u>\$2,501,037</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, including time deposits	\$ 112,449	\$ --	\$ 60,666	\$ 173,115
Deposits with county	--	48,176	--	48,176
Taxes receivable	32,696	12,338	1,183	46,217
Accounts receivable - franchises	<u>3,966</u>	<u>--</u>	<u>--</u>	<u>3,966</u>
Total assets	<u>\$ 149,111</u>	<u>\$ 60,514</u>	<u>\$ 61,849</u>	<u>\$ 271,474</u>
LIABILITIES				
Accounts payable	\$ 14,698	\$ --	\$ 139	\$ 14,837
Accrued expenses	1,028	--	--	1,028
Due Kansas PWA	<u>877</u>	<u>--</u>	<u>--</u>	<u>877</u>
Total liabilities	<u>16,603</u>	<u>--</u>	<u>139</u>	<u>16,742</u>
FUND BALANCES				
Restricted	--	60,514	61,710	122,224
Unassigned	<u>132,508</u>	<u>--</u>	<u>--</u>	<u>132,508</u>
Total fund balance	<u>132,508</u>	<u>60,514</u>	<u>61,710</u>	254,732
Total liabilities and fund balances	<u>\$ 149,111</u>	<u>\$ 60,514</u>	<u>\$ 61,849</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$836,695.	\$ 599,549
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet	
Due within one year	(22,657)
Certain liabilities are not due and payable in the current period from current financial resources, and, therefore, are not reported in the fund	
Net pension liability	(57,686)
Pension related deferred inflows	(7,066)
Pension related deferred outflows	<u>40,990</u>
Net position of governmental activities	<u>\$ 807,862</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KANSAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Sales tax	\$ 158,992	\$ 66,307	\$ --	\$ 225,299
Other taxes	31,043	--	7,131	38,174
Fines and forfeits	49,713	--	--	49,713
Franchise taxes	19,761	--	--	19,761
Interest	23	94	19	136
Miscellaneous	3,454	--	3,010	6,464
Grants and contributions	<u>--</u>	<u>--</u>	<u>21,200</u>	<u>21,200</u>
Total revenues	<u>262,986</u>	<u>66,401</u>	<u>31,360</u>	<u>360,747</u>
EXPENDITURES				
Current				
General government				
Administrative & accounting	<u>105,824</u>	<u>--</u>	<u>--</u>	<u>105,824</u>
Total general government	<u>105,824</u>	<u>--</u>	<u>--</u>	<u>105,824</u>
Public safety and judiciary:				
Police and court	136,073	--	4,159	140,232
Fire	<u>840</u>	<u>31,029</u>	<u>17,979</u>	<u>49,848</u>
Total public safety and judiciary	<u>136,913</u>	<u>31,029</u>	<u>22,138</u>	<u>190,080</u>
Transportation				
Street	<u>--</u>	<u>--</u>	<u>2,414</u>	<u>2,414</u>
Total transportation	<u>--</u>	<u>--</u>	<u>2,414</u>	<u>2,414</u>
Cultural, parks and recreation				
Library	9,672	--	--	9,672
Cemetery	<u>--</u>	<u>--</u>	<u>4,418</u>	<u>4,418</u>
Total cultural, parks and recreation	<u>9,672</u>	<u>--</u>	<u>4,418</u>	<u>14,090</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KANSAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt service				
Principal	\$ 12,164	\$ 16,288	\$ --	\$ 28,452
Interest and other charges	342	1,574	--	1,916
Capital outlay	<u>2,000</u>	<u>22,689</u>	<u>9,571</u>	<u>34,260</u>
Total debt service and capital outlay	<u>14,506</u>	<u>40,551</u>	<u>9,571</u>	<u>64,628</u>
Total expenditures	<u>266,915</u>	<u>71,580</u>	<u>38,541</u>	<u>377,036</u>
Excess (deficiency) of revenues over expenditures	<u>(3,929)</u>	<u>(5,179)</u>	<u>(7,181)</u>	<u>(16,289)</u>
Other financing sources (uses)				
Fund transfers	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net changes in fund balances	<u>(3,929)</u>	<u>(5,179)</u>	<u>(7,181)</u>	<u>(16,289)</u>
Fund balances - beginning	<u>136,437</u>	<u>65,693</u>	<u>68,891</u>	<u>271,021</u>
Fund balances - ending	<u>\$ 132,508</u>	<u>\$ 60,514</u>	<u>\$ 61,710</u>	<u>\$ 254,732</u>
Reconciliation of the change in fund balances - total government funds to the change in net position of governmental activities				
Net change in fund balances - total governmental funds				<u>(16,289)</u>
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchase capitalized				34,260
Depreciation expense				<u>(54,809)</u>
				<u>(20,549)</u>
Governmental funds report payment of long-term debt as expenditures while the statement of net position reflects a decrease in such debt				
				28,452
In the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures				
				<u>(738)</u>
				<u>\$ (9,124)</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
JUNE 30, 2016**

ASSETS		
Current assets		
Cash and cash equivalents		\$ 206,608
Accounts receivable		24,831
Taxes receivable		13,571
Due from Town of Kansas		<u>877</u>
Total current assets		<u>245,887</u>
Noncurrent assets:		
Restricted assets		
Cash and cash equivalents		73,652
Due from general obligations		3,337
Capital assets (net)		1,734,377
Inventory		<u>22,312</u>
Total noncurrent assets		<u>1,833,678</u>
Total assets		<u>2,079,565</u>
Deferred outflows of resources		
Deferred outflows related to pensions		<u>2,488</u>
LIABILITIES		
Current liabilities		
Accounts payable		5,142
Accrued expenses		1,844
Current portion of long-term debt		37,467
Due to restricted assets		<u>3,337</u>
Total current liabilities		<u>47,790</u>
Noncurrent liabilities		
Customers' meter deposits (payable from restricted assets)		31,650
Long-term debt		298,244
Net pension liability		<u>9,110</u>
Total noncurrent liabilities		<u>339,004</u>
Total liabilities		<u>386,794</u>
Deferred inflows of resources		
Deferred amounts related to pensions		<u>2,084</u>
NET POSITION		
Investment in capital assets, net of related debt		1,420,978
Restricted for debt service		45,339
Unrestricted		<u>226,858</u>
Total net position		<u>\$1,693,175</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2016**

Operating revenues	
Utility charges	\$ 229,876
Wages reimbursement	5,207
Miscellaneous	<u>17,618</u>
Total operating revenues	<u>252,701</u>
Operating expenses	
Insurance	3,205
Legal and professional	6,648
Salaries and benefits	121,795
Utilities	33,224
Other expenses	18,563
Repairs, maintenance and supplies	15,056
Depreciation expense	<u>93,780</u>
Total operating expense	<u>292,271</u>
Net operating income (loss)	(<u>39,570</u>)
Nonoperating revenue (expenses)	
Interest expense	(17,072)
Sales tax revenue	79,496
Investment income	114
Grant income	<u>165,877</u>
Total nonoperating revenue (expenses)	<u>228,415</u>
Changes in net position	188,845
Net position - beginning of year	<u>1,504,330</u>
Net position - end of year	<u>\$1,693,175</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:	
Receipts from customers	\$ 252,072
Payments to suppliers	(92,179)
Payments to employees and benefits	(126,756)
Receipts (deficits) over refunds of customer meter deposits	<u>1,035</u>
Net cash provided (used) by operating activities	<u>34,172</u>
Cash flows from noncapital financing activities:	
Sales tax	78,927
Activities with Town of Kansas	<u>15,345</u>
Net cash provided (used) by noncapital financing activities	<u>94,272</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(36,024)
Interest paid	(17,024)
Purchase of capital assets	(181,808)
Grant income	<u>165,877</u>
Net cash provided (used) by capital and related financing activities	<u>(68,979)</u>
Cash flows from investing activities	
Interest	<u>114</u>
Net cash provided (used) by investing activities	<u>114</u>
Net increase (decrease) in cash and cash equivalents	59,579
Balances - beginning of the year	<u>220,681</u>
Balances - end of the year	<u>\$ 280,260</u>
Cash, including time deposits	206,608
Restricted cash, including time deposits	<u>73,652</u>
Total cash and cash equivalents, end of year	<u>\$ 280,260</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of operating income (loss) to net
cash provided (used) by operating activities

Operating income (loss)	\$(39,570)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	93,780
Change in assets and liabilities:	
Receivables	(629)
Accounts payable	(15,436)
Accrued expenses	(830)
Pension related liabilities	(4,178)
Increase in meter deposits	<u>1,035</u>
	<u>\$ 34,172</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF KANSAS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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TOWN OF KANSAS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kansas was incorporated in 1965. The Town's major operations include public safety (police and fire), parks, library, provision and maintenance of streets and drainage, and general administrative services. In addition, the Town exercises sufficient control over another governmental agency that provides water and sewer services that is included as part of the Town's reporting entity.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity comprises the following:

Primary Government:	Town of Kansas
Blended Component Units:	Kansas Public Works Authority County Wide Fire Department Fund

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Town appointed a voting majority of the units' board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Blended Component Unit

Component Unit	Brief Description/Inclusion Criteria	Reporting
Kansas Public Works Authority	The Authority, which has the same Board Members as the Town, provides water, and sewer services to citizens of the Town. The Authority is dependent on the Town, as a major source of revenues is sales tax. The Town is the beneficiary of the Authority.	Proprietary

Blended Other Units

A countywide sales tax is assessed for the purpose of providing revenues to the various fire departments of Delaware County. The sales tax receipts are equally divided among the fire departments and administered by the County which maintains a fund for each fire department, including that of the Town of Kansas. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. The Kansas Public Works Authority is the only proprietary type activity of the reporting entity and is considered a major fund. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The Town has no capital project fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by other funds. The Town has no debt service funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Kansas Public Works Authority is the only enterprise fund.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	See above for description
Countywide Fire Department Fund	Provides funds for the acquisition of assets and the operations of the fire department. Funded by a countywide sales tax.
Proprietary Fund: Kansas Public Works Authority	Accounts for activities of providing water and sewer services to the public.
Non major:	
Special Revenue Funds: Street and Alley	Accounts for revenues and expenditures of maintaining, improving and extending streets and alleys.
Cemetery Fund	Accounts for revenues and expenditures of maintaining the cemetery.
Fire Fund	Accounts for revenues raised by the volunteer firefighters, donations and grants and expending of such funds
Police Donation Fund	Donations and expenditures for the Police Department

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid. Capital asset acquisitions and debt payments are treated as expenditures.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the Town. Annual operating budgets are adopted only for the general fund. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Kansas Public Works Authority also adopts a budget and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Kansas Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The capitalization policy of both the Town and the Authority is to capitalize all assets with a cost of \$500 or greater and \$1,000 or greater beginning July 1, 2014. Prior to June 30, 1996 the Authority capitalized all items costing over \$250. However, if more than one of the same items is bought and the total exceeds \$1,000, such items are capitalized for accountability purposes.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

As of June 30, 2016, the governmental funds' infrastructure assets have not been capitalized, other than on a prospective basis, which, in accordance with GASB 34, is proper.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Government</u>	<u>Proprietary</u>
Buildings	12 - 40 years	40 years
Machinery and Equipment	5 - 25 years	5 - 20 years
Utility System	--	10 - 40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of bonds and leases payable, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The only restricted net position are funds set aside for the payment of long-term debt as required by bond indentures and funds held for utility deposits. Both are reflected in the Kansas Public Works Authority.

- c. Unrestricted net position - All other net position that does meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

A 3 cent sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. Two cents of the sales tax is allocated to the general fund and one cent to the Kansas Public Works Authority.

Additionally the Countywide Fire Department Fund receives sales tax revenues from Delaware County.

Use Tax

The Town levies a 3 cent use tax on personal property purchased outside the town limits but stored, used, or consumed within the town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town of Kansas's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

Fund	Required By
Street and Drainage	State Law
Public Works Authority	Trust Indenture
Cemetery	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations

For the year ended June 30, 2016, the Town complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2016, the Town complied with this provision.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town of Kansas complied with this statute in all material respects for the year ended June 30, 2016.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The Town's policies regarding deposits of cash are discussed in Note 1.D. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2016. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

Carrying Type of Deposits	Total Bank Balance	Custody <u>1</u>	Credit Risk <u>2</u>	Category <u>3</u>	Total Book Balance Value
Demand deposits	<u>\$457,220</u>	<u>\$425,463</u>	<u>\$ 31,757</u>	<u>\$ --</u>	<u>\$453,375</u>
Time deposits					
Reconciliation to Government-wide Statement of Net Position:					
Unrestricted cash, including time deposits					\$379,723
Restricted cash, including time deposits					<u>73,652</u>
					<u>\$453,375</u>

3.B. RESTRICTED ASSETS

The following is a summary of the restricted assets:

Business Activities

Reservation of retained earnings	
Reserve for debt retirement	<u>\$ 45,339</u>
Liabilities	
Liability for customer meter deposits	
Cash	28,313
Due from general operations	<u>3,337</u>
	<u>31,650</u>
Total restricted assets	<u>\$ 76,989</u>

The source and purpose of restricted assets is as follows:

- (a) Reserve for Debt Retirement - Loan provisions for the reserves not fully funded require that there shall be set aside and credited in the reserve for debt retirement the sum of \$369.90 each month until there is accumulated in such reserves the sum of \$45,180, after which no further credits need be made into the account except to replace withdrawals. These reserves can be used for payments on the notes if other funds are insufficient. With written approval from the Rural Development Administration, formerly Farmers Home Administration, the reserves can also be used for repairs necessitated by a catastrophe or making extensions or improvements to the facility. As of June 30, 2016, this reserve was fully funded with an excess of \$159.

When disbursements are made from the reserve for debt retirement, monthly credits shall be continued or resumed until there is again accumulated the aforesaid required balances, at which time credits may be discontinued.

- (b) Customer Meter Deposits - This represents deposits required from utility customers and is reported as a liability.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of franchise taxes.

Accounts receivable of the Kansas Public Works Authority are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. Accounts written off in prior years have been negligible.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>Balance at June 30, 2016</u>
Governmental activities:					
Land	\$ 165,712	\$ --	\$ --	\$ --	\$ 165,712
Buildings	403,736	2,000	--	--	405,736
Machinery and equipment	771,152	32,260	--	--	803,412
Infrastructure	<u>61,384</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>61,384</u>
Totals at historical cost	<u>1,401,984</u>	<u>34,260</u>	<u>--</u>	<u>--</u>	<u>1,436,244</u>
Less accumulated depreciation					
Buildings	(172,898)	(10,274)	--	--	(183,172)
Machinery and equipment	(599,839)	(42,684)	--	--	(642,523)
Infrastructure	<u>(9,149)</u>	<u>(1,851)</u>	<u>--</u>	<u>--</u>	<u>(11,000)</u>
Total accumulated depreciation	<u>(781,886)</u>	<u>(54,809)</u>	<u>--</u>	<u>--</u>	<u>(836,695)</u>
Governmental activities capital assets, net	<u>\$ 620,098</u>	<u>\$(20,549)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 599,549</u>
Business-type activities:					
Land	\$ 7,500	\$ --	\$ --	\$ --	\$ 7,500
Buildings	30,281	--	--	--	30,281
Machinery and equipment	119,800	--	(9,731)	--	110,069
Utility property	3,536,085	181,808	(3,954)	8,686	3,722,625
Work in progress	<u>8,686</u>	<u>--</u>	<u>--</u>	<u>(8,686)</u>	<u>--</u>
Totals at historical cost	<u>3,702,352</u>	<u>181,808</u>	<u>(13,685)</u>	<u>--</u>	<u>3,870,475</u>
Less accumulated depreciation:					
Buildings	(10,519)	(1,041)	--	--	(11,560)
Machinery and equipment	(76,496)	(6,357)	9,730	--	(73,123)
Utility property	<u>(1,967,999)</u>	<u>(86,382)</u>	<u>2,966</u>	<u>--</u>	<u>(2,051,415)</u>
Total accumulated depreciation	<u>(2,055,014)</u>	<u>(93,780)</u>	<u>12,696</u>	<u>--</u>	<u>(2,136,098)</u>
Business-type capital assets, net	<u>\$ 1,647,338</u>	<u>\$ 88,028</u>	<u>\$(989)</u>	<u>\$ --</u>	<u>\$ 1,734,377</u>

* Depreciation expense was charged to governmental activities as follows:

General government:	
Administrative and accounting	\$ 4,706
Total general government	<u>4,706</u>
Public safety and judiciary:	
Police	17,929
Fire	<u>24,216</u>
Total public safety and judiciary	<u>42,145</u>
Streets	<u>3,790</u>
Cultural, parks and recreation:	
Library	2,010
Cemetery	998
Parks	<u>1,160</u>
Total cultural, parks and recreation	<u>4,168</u>
Total depreciation expense	<u>\$ 54,809</u>

The capitalization of infrastructure is reported on a prospective basis beginning July 1, 2003.

3.E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll and benefits and additionally for the Kansas Public Works Authority, accrued interest. .

3.F. INVENTORY

Inventory consists of \$22,312 of pipe donated by an organization in a prior year. Inventory is treated as a noncurrent asset as it will ultimately be a capital asset.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the Town's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2016:

Debt outstanding, July 1, 2015		\$ 51,109
Additions		--
Retirements		<u>(28,452)</u>
Debt outstanding, June 30, 2016		<u>\$ 22,657</u>
Amount due within one year		<u>\$ 22,657</u>
	Debt Outstanding <u>June 30, 2016</u>	Due Within <u>One Year</u>
Lease with a purchase option on a fire truck dated February 9, 2013 in the amount of \$139,820 payable in annual installments of \$17,861.94 including 4.72% interest	\$ 17,057	\$ 17,057
Lease with a purchase option on a police car dated August 27, 2013 in the amount of \$18,024 payable in 36 monthly installments of \$522.36, including 2.75% interest	1,018	1,018
Lease with a purchase option on a police car dated April 17, 2014 in the amount of \$17,945.00 payable in 36 monthly installments of \$519.80, including 2.75% interest	<u>4,582</u>	<u>4,582</u>
	22,657	<u>\$ 22,657</u>
Less current portion	<u>22,657</u>	
Long-term portion	<u>\$ --</u>	

Principal and interest until maturity is as follows:

	<u>Interest</u>	<u>Principal</u>
Year ended June 30, 2017	853	22,657

Business-Type Activities

The following is a summary of the Kansas Public Works Authority's long-term debt transaction for the year ended June 30, 2016.

Debt outstanding July 1, 2015	\$ 371,735
Additions	--
Retirements	<u>(36,024)</u>
Debt outstanding June 30, 2016	<u>\$ 335,711</u>
Amount due in one year	<u>\$ 37,467</u>

Notes and bonds payable at June 30, 2016 for the Kansas Public Works Authority consist of the following:

<u>Note #</u>	<u>Interest Rate</u>	<u>Payment Amount</u>	<u>Term</u>	<u>Total Debt</u>	<u>Due Within One Year</u>
Rural Development Administration, formerly Farmer's Home Administration					
92-03	5.00 %	2,029	monthly	\$ 199,629	\$ 14,701
92-08	5.00 %	816	monthly	66,631	6,611
91-05	6.125%	474	monthly	28,884	4,031
91-06	5.00 %	380	monthly	<u>25,255</u>	<u>3,374</u>
				320,399	28,717
Oklahoma Department of Commerce					
	.00%	729	monthly	<u>15,312</u>	<u>8,750</u>
Total Debt				335,711	<u>\$ 37,467</u>
Less: Current Portion				<u>(37,467)</u>	
Long-term Portion				<u>\$ 298,244</u>	

The notes to the Rural Development Administration are secured by mortgages on the property, plant, and equipment of the Public Works Authority. In addition, the Authority has assigned its revenues to Rural Development Administration. The notes to First Arvest Bank are secured by equipment and vehicle. The note payable to Oklahoma Department of Commerce is unsecured.

Long-term debt maturities, including principal and interest, for each of the next five years and until maturity in the aggregate are as follows:

	<u>Interest</u>	<u>Principal</u>
Year ended June 30, 2017	15,671	37,467
Year ended June 30, 2018	14,154	36,795
Year ended June 30, 2019	12,556	31,382
Year ended June 30, 2020	10,874	33,514
Year ended June 30, 2021	9,103	35,285
5 years ended June 30, 2026	20,357	147,560
1 year ended June 30, 2027	226	13,708

3.H. EMPLOYEE RETIREMENT SYSTEMS

Employee Retirement System of Kansas, Oklahoma

The Town participates in two employee pension systems as follows:

Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer-Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Benefit Plan

Oklahoma Firefighter's Pension and Retirement System

Plan description - The Town of Kansas, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$840.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Town reported a net pension liability of \$51,612 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportion of the net pension asset was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the Town's proportion was 0.004863.

At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,331	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	5,677
Changes in proportion and differences between Town contributions and proportionate share of contributions	--	--
Town contributions subsequent to the measurement date	<u>840</u>	<u>--</u>
Total	<u>\$ 40,171</u>	<u>\$ 5,677</u>

\$840 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Outflows	Inflows
2017	\$(17,919)	\$1,708
2018	(17,919)	1,708
2019	(1,502)	1,708
2020	(1,502)	443
2021	<u>(489)</u>	<u>110</u>
	<u>\$(39,331)</u>	<u>\$5,677</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to October 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$67,018	\$51,612	\$38,699

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which can be located on the Plan Administrative web site.

Defined Benefit Plan - Oklahoma Municipal Retirement Fund

A. Plan Description

The City contributes to the OkMRF for all electing eligible employees except for those covered by the Firefighter Pension Systems. The Plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their web site at www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O. S. Title 11, Section 48-101-102.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Town's plan and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

C. Summary of Plan Provisions

<i>Eligibility</i>	All regular, full-time employees except firefighters, and other employees who are covered under an approved system.
<i>Probationary Period</i>	9 months
<i>Employee Contributions</i>	1.7% of pay
<i>Employer Contributions</i>	3.1% of pay
<i>Service:</i>	
<i>Credited service</i>	The last period of continuous employment with the employer
<i>Vesting</i>	Credited service plus transferred service from other OkMRF employers
<i>Benefit Eligibility</i>	10 or more years of vesting service
<i>Final Average Compensation</i>	The average of the 5 highest consecutive years of out of the last 10 years of service

<i>Accrued Benefit</i>	Plan C - 0.75% of final average compensation multiplied by the number of years of credited service
<i>Normal Retirement Age</i>	Age 65 with 10 or more years of vesting services
<i>Normal Retirement Eligibility</i>	Termination of employment on or after normal retirement age
<i>Benefit</i>	The accrued benefit payable immediately.
<i>Early Retirement Eligibility</i>	Termination after age 55 with 10 or more years of vesting service
<i>Benefit</i>	The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age
<i>Disability Retirement Eligibility</i>	Total and permanent disability after 10 or more years of service
<i>Benefit</i>	The accrued benefit is payable upon disablement without reduction for early retirement.
<i>Termination Before Retirement Age</i>	
<i>Before vesting</i>	Return of employee contributions, if any, with interest
<i>After vesting</i>	The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age.
<i>In-service Death</i>	
<i>Before vesting</i>	Return of employee contributions, if any, with interest
<i>After vesting</i>	The accrued benefit payable starting at normal retirement (married participants only)age or a reduced benefit payable at an early retirement age.
<i>After vesting (other participants)</i>	50% of the accrued benefit is payable for 5 years certain.

Payment Options

Normal form

The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain

Optional forms

Disability retirement benefits are paid only under the normal form.

Other retirement benefits are available under actuarially equivalent optional forms:

Joint and 50% survivor annuity
Joint and 66 2/3% last survivor annuity
Joint and 100% survivor annuity

Cost of Living

This plan has not elected the automatic post-retirement cost-of-living adjustments

D. Actuarial Assumptions

Date of last actuarial valuation	July 1, 2014
Actuarial cost method	Entry age normal
Rate of return on investments and discount rate	7.75%
Projected salary increase based on age	Varies between 7.42% and 4%
Post retirement cost-of-living increase	None
Inflation rate	3%
Mortality Table	UP 1994 with projected mortality improvement
Percent of married employees	100%
Spouse age difference	3 years (female spouses younger)
Turnover	Select and ultimate rates. Ultimate rates are age-related as shown.

Additional rates per thousand are added during the first 5 years:

Year 1:	215
Year 2	140
Year 3	95
Year 4	65
Year 5	40

E. Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The Town has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

Large cap stocks (S & P 500)	25%	5.40%	1.35%
Small/mid cap stocks (Russell 2500)	10%	7.50%	0.75%
Long/short equity (MSCI ACWI)	10%	6.10%	0.61%
International stocks (MSCI EAFE)	20%	5.10%	1.02%
Fixed income bonds (Barclay's Capital Aggregate)	30%	2.60%	0.78%
Real Estate (NCREIF)	5%	4.80%	0.24%
Cash equivalents (3 month Treasury)	<u>0%</u>	<u>0.00%</u>	<u>0.00%</u>
Total	<u>100%</u>		
Average real return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

F. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were not changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the Town's report ending date of June 30, 2016 that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Schedule of Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances beginning of year	<u>\$108,837</u>	<u>\$ 90,865</u>	<u>\$ 17,972</u>
Changes for the year			
Service cost	5,588	--	5,588
Interest expense	8,286	--	8,286
Difference between expected and actual experience	(6,613)	----	(6,613)
Contributions - Town	--	4,968	(4,968)
Contributions - members	--	2,671	(2,671)
Net investment income	--	2,601	(2,601)
Refunds of contributions (amortized over closed 5 year period	--	--	--
Benefits paid	(3,906)	(3,906)	--
Plan administrative expense	--	(191)	191
Change in deferred contributions made subsequent to the measurement date	--	--	--
Net changes	<u>3,355</u>	<u>6,143</u>	<u>(2,788)</u>
Balances end of year	<u>\$112,192</u>	<u>\$ 97,008</u>	<u>\$ 15,184</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net position of the Town, calculated using the discount rate of 7.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate (7.75%)	1% Increase <u>(8.75%)</u>
Net pension liability (asset)	\$ 31,581	\$ 15,184	\$ 1,961

The Town reported \$2,289 in pension expense for the year ended December 31, 2015. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ --	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	4,739
Town contributions subsequent to the measurement date	<u>4,968</u>	<u>--</u>
Total	<u>\$4,968</u>	<u>\$4,739</u>

\$4,739 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$(1,320)
2018	(1,320)
2019	(1,320)
2020	(166)
2021	<u>(613)</u>
	<u>\$(4,739)</u>

3.I. DUE TO/FROM TOWN AND COMPONENT UNIT (TRANSFERS)

Kansas Public Works Authority's personnel perform services for the Town of Kansas. The Town's funds and the Authority share certain expenses. Also, certain expenses and receipts were accidentally expensed to or deposited to the wrong fund. The result is receivables/payables at June 30, 2016 as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Kansas PWA	\$ --	\$ 877
Kansas PWA		
General Fund	<u>877</u>	<u>--</u>
	<u>\$ 877</u>	<u>\$ 877</u>

4. SUBSEQUENT EVENT

An additional 1 cent sales tax was approved after year end effective October 1, 2016, 1/2 cent is allocated to the Town General Fund and 1/2 cent to the Kansas PWA.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Fire:

- Schedule of the City's Proportionate Share of the Net Pension Liability
(Asset)
- Schedule of City Contributions

Defined Benefit Agent Multi-employer Plan

OkMRF

- Schedule of change in net pension liability and related ratios
- Schedule of employer contributions

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

TOWN OF KANSAS, OKLAHOMA

**Schedules of Required Supplementary Information
Schedule of the Town of Kansas, Oklahoma
Proportionate Share of the Net Pension Liability
Oklahoma Firefighter's Pension and Retirement System
Last 10 Fiscal Years ***

	June 30, <u>2015</u>
Town's proportion of the net pension liability	0.004863%
Town's proportionate share of the net pension liability	\$ 51,612
Town's covered employee payroll (all volunteers)	\$ --
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.27%

* The amounts present for each fiscal year were determined as of June 30, 2015.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

**Required Supplementary Information
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability**

	<u>6/30/2015</u>
Total pension liability	
Service cost	\$ 5,588
Interest	8,286
Changes of benefit terms	--
Differences between expected and actual experience	(6,613)
Changes of assumptions	--
Benefit payments, including refunds of member contributions	<u>(3,906)</u>
Net change in pension liability	\$ 3,355
Total pension liability - beginning	<u>108,837</u>
Total pension liability - ending	<u>\$ 112,192</u>
Plan fiduciary net position	
Contributions - employer	\$ 4,968
Contributions - member	2,671
Net investment income	2,601
Benefit payments, including refunds of member contributions	(3,906)
Administrative expense	(191)
Other	<u>--</u>
Net change in plan fiduciary net position	6,143
Plan fiduciary net position - beginning	<u>90,865</u>
Plan fiduciary net position - ending	<u>\$ 97,008</u>
Net pension liability - ending	<u>\$ 15,184</u>
Plan fiduciary net position as a percentage of the total pension liability	86,47%
Covered employee payroll	158,107
Net pension liability as a percentage of covered employee payroll	9,60%

Notes to Schedule

Only the current fiscal year is presented because 10 year data is not yet available.

Schedule of Employer Contributions

	<u>6/30/2015</u>
Actuarially determined contribution	\$ 4,968
Contributions in relation to the actuarially determined contribution	4,968
Contribution deficiency (excess)	--
Covered employee payroll	\$158,107
Contributions as a percentage of covered employee payroll	3.14%

Notes to Schedule:

1. Only the current fiscal year is presented because 10 year data is not yet available.
2. Latest valuation date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and July 1, 2015
4. Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	29 years
Asset valuation method	Actuarial:
	Smoothing period - 4 years
	Recognition method - non-asymptotic
	Corridor - 70% - 130%
	Salary increases - 4% to 7.42% (various by attained age)
	Investment rate of return - 7.5%

**TOWN OF KANSAS, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016
(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 112,585	\$ 112,585	\$ 112,585	\$ --
Resources (inflows)				
Taxes				
Franchise taxes	15,975	15,975	20,204	4,229
Use tax	15,047	15,047	17,902	2,855
Sales tax	<u>134,109</u>	<u>134,109</u>	<u>157,854</u>	<u>23,745</u>
Total taxes	<u>165,131</u>	<u>165,131</u>	<u>195,960</u>	<u>30,829</u>
Intergovernmental				
Alcoholic beverage tax	8,462	8,462	9,188	726
Cigarette tax	<u>2,373</u>	<u>2,373</u>	<u>2,837</u>	<u>464</u>
Total intergovernmental	<u>10,835</u>	<u>10,835</u>	<u>12,025</u>	<u>1,190</u>
Fines and forfeitures				
Police fines	<u>38,007</u>	<u>38,007</u>	<u>49,713</u>	<u>11,706</u>
Total fines and forfeitures	<u>38,007</u>	<u>38,007</u>	<u>49,713</u>	<u>11,706</u>
Investment income	<u>33</u>	<u>33</u>	<u>23</u>	(10)
Grants and contributions	<u>12,204</u>	<u>12,204</u>	<u>--</u>	(12,204)
Miscellaneous	<u>7,302</u>	<u>7,302</u>	<u>3,456</u>	(3,846)
Amounts available for appropriation	<u>346,097</u>	<u>346,097</u>	<u>373,762</u>	<u>27,665</u>
Charges to appropriations (outflows)				
Personal services	166,097	166,097	138,729	27,368
Maintenance and operation	145,000	145,000	121,522	23,478
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>17,664</u>	<u>17,336</u>
Total charges to operations	<u>346,097</u>	<u>346,097</u>	<u>277,915</u>	<u>68,182</u>
Ending budgetary fund balances	<u>\$ --</u>	<u>\$ --</u>	95,847	<u>\$ 95,847</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			32,696	
Accounts receivable			<u>3,965</u>	
Fund Balance			<u>\$ 132,508</u>	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**TOWN OF KANSAS, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Funds				
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	Total
ASSETS					
Cash, including time deposits	\$19,782	\$20,784	\$853	\$19,247	\$60,666
Taxes Receivable	1,183	--	--	--	1,183
Total assets	<u>20,965</u>	<u>20,784</u>	<u>853</u>	<u>19,247</u>	<u>61,849</u>
LIABILITIES					
Accounts payable	--	--	139	--	139
Due other funds	--	--	--	--	--
Total liabilities	<u>--</u>	<u>--</u>	<u>139</u>	<u>--</u>	<u>139</u>
FUND BALANCES					
Restricted	20,965	20,784	714	19,247	61,710
Total fund balances	<u>20,965</u>	<u>20,784</u>	<u>714</u>	<u>19,247</u>	<u>61,710</u>
Total liabilities and fund balances	<u>\$20,965</u>	<u>\$20,784</u>	<u>\$853</u>	<u>\$19,247</u>	<u>\$61,849</u>

**TOWN OF KANSAS, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds				Total Non-Major Governmental Funds
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	
Revenues					
Taxes	\$7,131	\$ --	\$ --	\$ --	\$7,131
Grants and contributions	--	993	8,790	\$11,417	21,200
Interest	4	4	1	10	19
Miscellaneous	--	1,050	1,960	--	3,010
Total revenues	7,135	2,047	10,751	11,427	31,360
Expenditures					
Police	--	--	--	4,159	4,159
Fire	--	--	17,979	--	17,979
Cemetery	--	4,418	--	--	4,418
Streets	2,414	--	--	--	2,414
Capital outlay	--	--	3,400	6,171	9,571
Total expenditures	2,414	4,418	21,379	10,330	38,541
Excess (deficiency) of revenues over expenditures	4,721	(2,371)	(10,628)	1,097	(7,181)
Other financing sources (uses)					
Fund transfers	--	--	--	--	--
Net changes in fund balances	4,721	(2,371)	(10,628)	1,097	(7,181)
Fund balances - beginning	16,244	23,155	11,342	18,150	68,891
Fund balances - ending	<u>\$20,965</u>	<u>\$20,784</u>	<u>\$714</u>	<u>\$19,247</u>	<u>\$61,710</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Honorable Mayor and Councilors
Town of Kansas, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Kansas and Kansas Public Works for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Kansas and Kansas Public Works' basic financial statements and have issued our report thereon dated October 14, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kansas and Kansas Public Works, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Kansas and Kansas Public Works, State of Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Town of Kansas and Kansas Public Works, State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

TOWN OF KANSAS AND KANSAS PWA

JUNE 30, 2016
PAGE 2

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

OCTOBER 14, 2016